

Webb & Knapp (Canada) Limited

AR42

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1966

Eleventh annual report

Webb & Knapp (Canada) Limited

Directors

William Hay
Lazarus Phillips, O.B.E., Q.C.
James A. Soden

Officers

James A. Soden	President
William Hay	Vice-President, Secretary & Treasurer

Transfer Agent

Montreal Trust Company	Montreal, Toronto, Halifax, Winnipeg, Vancouver
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Registrar

The Royal Trust Company	Montreal, Toronto, Halifax, Winnipeg, Vancouver
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To the Shareholders
Webb & Knapp (Canada) Limited

This is the 11th annual report to the Shareholders of Webb & Knapp (Canada) Limited and is accompanied by the financial statements for the calendar year ended December 31st, 1966.

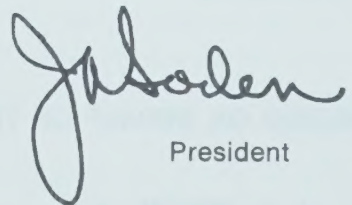
During the year the Company sustained a loss of \$409,649. The Company's long-term debt continued to remain high and the consequential interest charges have again contributed in no small measure to this year's loss.

Subsequent to the year end, one of the company's shopping centres in Ontario was sold and an adjustment was made in the estimated realizable value of the centre to take into account the actual selling price as explained in note 1 to the accompanying balance sheet.

The major portion of the Company's assets remain subject to management by certain secured creditors of the Company as previously reported. The directors are not yet in a position to assess and report upon the long term prospects for these assets. As regards the properties of the Company not subject to such management, we have to report that the Company was not successful in its attempts to sell such properties during the course of the year. The Company is continuing its attempts to dispose of these assets.

It is to be reported that during the year the Company discontinued the listing of its shares on the Toronto Stock Exchange in keeping with the reduced operations of the Company.

On behalf of the Board.

A handwritten signature in dark ink, appearing to read "J. A. Boden", written in a cursive style. The signature is positioned above the word "President".

President

June 12, 1967.

Consolidated Balance Sheet as at December 31, 1966

Current Assets

Real Estate (notes 1 and 2)

Fixed Assets Other Than Real Estate

\$10,870,296

J. A. SODEN }
WILLIAM HAY } Directors

Liabilities

Current Liabilities

Bank advances	375,743	
Accounts payable and accrued liabilities	1,449,012	
Income and other taxes	237,398	2,062,153
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Long-Term Debt

Notes and secured loans (note 3)	2,867,793	
Mortgages on real estate	6,138,903	
5% redeemable sinking fund debentures due January 1, 1977 (note 4)	1,194,578	10,201,274
		<hr/>
(included in long-term debt are amounts aggregating \$1,243,508 due within one year)		
Total liabilities		12,263,427
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Deficit Less Capital Stock

Deficit	5,179,031	
Capital stock		
Authorized —		
2,000,000 redeemable preferred shares of \$5 par value		
10,000,000 common shares of \$1 par value		
Issued and fully paid —		
200,000 5% cumulative prefer- red shares series "A" (note 5)	1,000,000	
2,765,300 common shares (note 6)	2,765,300	
	<hr/>	
	3,765,300	
Premium on issue of common shares	20,600	3,785,900
	<hr/>	<hr/>
		(1,393,131)
		<hr/>
		\$10,870,296
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Webb & Knapp (Canada) Limited and Subsidiary Companies

Consolidated Statement of Earnings for the Year Ended December 31, 1966

Gross Revenue from All Sources, including sales of		
real estate		2,085,373
Costs and Expenses		
Cost of real estate sold	1,138,090	
Operating expenses, salaries, general and		
administrative expenses	928,732	2,066,822
		<hr/>
Operating Profit		18,551
before the following —		
Directors' remuneration, consisting of officers'		
salaries	2,400	
Interest on long-term debt	848,800	851,200
		<hr/>
Loss before Adjustment of Real Estate Value		832,649
Adjustment of 1965 Write-Down of Real Estate (note 1)		423,000
		<hr/>
Net Loss for the Year		\$ 409,649
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Consolidated Statement of Deficit for the Year Ended December 31, 1966

Balance — December 31, 1965	4,769,382
Net loss for the year	409,649
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Balance — December 31, 1966	\$5,179,031
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Webb & Knapp (Canada) Limited and Subsidiary Companies

Notes to Consolidated Financial Statements for the Year Ended December 31, 1966

1. Real estate has been shown on the balance sheet of the company at the realizable value of the properties involved as estimated by management at December 31, 1965 with subsequent additions at cost, with the exception that the write-down of real estate made in 1965 has been adjusted by \$423,000 to take into account the actual selling price of one of the company's shopping centres sold in 1967.
2. In 1965 the company entered into an agreement whereby management of certain subsidiaries with assets in Western Canada and two shopping centres in Ontario was undertaken by certain secured creditors whose indebtedness was in arrears. The value of the real estate subject to this management agreement amounted to \$9,001,888 as at December 31, 1966.
The company is obligated to pay to the secured creditors fifty per cent of any profits accruing from the future operations of the assets after the repayment of related indebtedness.
3. Shares, debentures and real estate of certain subsidiary companies have been pledged as collateral for notes and secured loans.
4. Under the management agreement referred to in Note 2 the mandatory sinking fund payments on the 5% redeemable sinking fund debentures were eliminated.
5. Preferred dividends are in arrears in the amount of \$250,000.
6. The company has reserved 3,008,700 common shares in respect of stock purchase warrants.
7. The company has guaranteed the obligations of a subsidiary company under the terms of a leaseback arrangement which has been terminated as a result of default by the subsidiary. A contingent liability may exist for any loss suffered in consequence of the termination. No provision has been made in the accounts in respect hereof.
8. The company has guaranteed or is contingently liable for the performance of certain obligations of another corporation of which the company was formerly a major shareholder. Consequent upon the sale in 1964 of the company's investment in the other corporation, that corporation and certain of its other major shareholders have agreed to indemnify the company against any such liability.
9. As a condition precedent to the sale in 1965 of a major parcel of real estate, the company guaranteed a \$2,000,000 debenture of the purchaser.

MCDONALD, CURRIE & CO.

CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

TELEPHONE 875-5140
630 DORCHESTER BOULEVARD WEST
MONTREAL 2, CANADA

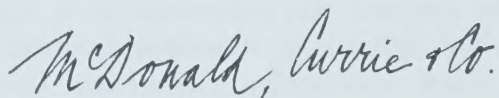
June 5, 1967

AUDITORS' REPORT TO THE SHAREHOLDERS


We have examined the consolidated balance sheet of Webb & Knapp (Canada) Limited and subsidiary companies as at December 31, 1966 and the consolidated statements of earnings and deficit for the year ended on that date. Our examination of the financial statements of Webb & Knapp (Canada) Limited and the subsidiary companies of which we are the auditors included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the other subsidiary companies.

The real estate is based on values estimated by management as explained in Note 1 to the financial statements. Because of this and in view of the terms of the management agreement explained in note 2 and the company's intention to liquidate its other real estate, we are not in a position to express an opinion on the present realizable value of the properties involved.

Subject to the qualifications set out in the preceding paragraph, in our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and deficit, when read in conjunction with the notes thereto, present fairly on a consolidated basis the financial position of the companies as at December 31, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants



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